



Commonwealth of Kentucky SOLICITATION MODIFICATION

Addenda: Yes

Addenda #: 2

TITLE: Auditing Assistance with COT SOC 2 audit		
Date Issued: 3/31/20 Record Date: 2020-03-27	Solicitation Closes Date: 4/13/20 Time: 16:30	Solicitation No: RFP 045 2000000297
Online Bidding Prohibited: Yes		
For Information Call: Timothy Gutman 502-564-5841		Bid Receiving Location: Auditor of Public Accounts Bid Clerk 209 St. Clair Street <div style="display: flex; justify-content: space-between;"> Frankfort KY 40601 </div>
Vendor Customer Number: Vendor Name: Phone Number: Fax Number: Email Address:		
Ordering Address: City, State, Zip: Contact Name: Contact Email: Contact Phone Number:	Payment Address: City, State, Zip: Contact Name: Contact Email: Contact Phone Number:	
Ownership Type <div style="display: flex; justify-content: space-between; align-items: flex-end;"> <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> Other </div>		

SIGNATURE OF AUTHORIZED AGENT IS REQUIRED UNLESS RESPONSE IS SUBMITTED ELECTRONICALLY. FAILURE TO SIGN SHALL RENDER THE BID INVALID.

Signature X _____ FEIN# _____ Date _____

All offers subject to all terms and conditions contained in this solicitation.



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Line Items

Commodity Group: Default

Line	CL Description	Quantity	UOM	Unit Cost	Line Total or Contract Amnt
1	Auditing Assistance with COT SOC 2 Audit				

Comm Code	Comm Description	Manufacturer	Model #	Manuf Part #
94620	Auditing			

Extended Description

The purpose of this RFP is to solicit proposals from duly licensed, independent certified public accounting firms (FIRM) qualified to do business in the Commonwealth of Kentucky (Commonwealth), to perform a SOC 2 engagement of the Commonwealth's Office of Technology (COT) for the period July 1, 2019 through June 30, 2020.

Prospective proposers shall check either the Auditor of Public Account's website or the Commonwealth of Kentucky's Vendor Self Service website for any updated/amended versions of this RFP.

Shipping Information			Billing Information		
Auditor of Public Accounts			Auditor of Public Accounts		
209 St. Clair Street			209 St. Clair Street		
Frankfort	KY	40601	Frankfort	KY	40601



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Submission Checklist

The following items will be required to be submitted with bid:

Item

Proposed technical solution under sealed cover and by closing date and time
Kentucky government and/or SOC2 Audit Experience
Firm's audit personnel experience
Firm's capacity and resources
Evaluation of firm
Oral Presentation, if requested
Cost proposal shall be for the services requested. See Attachment A.

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**Revised December 2019
PROPOSAL SUBMISSION CHECKLIST**

The vendor **MUST** include the following with the proposal submission.
If the items highlighted below are not submitted with the proposal submission,
**the Commonwealth MUST deem the proposal non-responsive and
SHALL NOT consider for award.**

All other items **MUST** be submitted prior to award.

_____ **SIGNED AND COMPLETED SOLICITATION (Section 8.10 of this RFP)**

_____ ***PROPOSED SOLUTION (TECHNICAL) UNDER SEALED COVER AND BY CLOSING DATE
Section(s) 8.00 and 8.10 of this RFP**

_____ ***PROPOSED SOLUTION (COST) UNDER SEALED COVER AND BY CLOSING DATE
Section(s) 8.00 and 8.20 of this RFP**

_____ TRANSMITTAL LETTER – Section 8.10 of this RFP

_____ PROOF OF REGISTRATION WITH SECRETARY OF STATE BY A FOREIGN ENTITY
(Section 8.00 of the Personal Service Contract Terms and Conditions of this RFP)

_____ REQUIRED AFFIDAVIT(S) – Section 8.10 of this RFP

*The Commonwealth defines SEALED as “a closure that must be broken to be opened and that thus reveals tampering” (Merriam-Webster Dictionary, <https://www.merriam-webster.com/dictionary/seal>).

ADDENDUM ONE

MARCH 20, 2020

Amend contract to post vendor questions and answers, located at end of terms and conditions.

Amend contract to extend the close date to 4/13/2020.

Amend contract section 2.00 G. 3. to exclude Privacy.

REQUEST FOR PROPOSAL
FOR
PERSONAL SERVICE CONTRACT

**Auditor of Public Accounts
COT SOC 2 Type 2 Audit
RFP 045200000297**

This document constitutes a Request for Proposals for a Personal Service Contract from qualified individuals and organizations to perform, using guidance established by the American Institute of Certified

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Public Accountants, a Report on an examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy [Service Organization Controls (SOC 2 Type 2)]of the Commonwealth's Office of Technology, covering the period from July 1, 2019 through June 30, 2020.

Offerors are advised that any personal service contract resulting from this RFP must comply with all applicable provisions of KRS 45A and KRS 12.210 prior to becoming effective.

A contract, based on this RFP, may or may not be awarded. Any contract award from this RFP is invalid until properly approved and executed by the Finance and Administration Cabinet and filed with the Legislative Research Commission, Government Contract Review Committee.

1.00 Purpose and Background

The purpose of this RFP is to solicit proposals from duly licensed, independent certified public accounting firms (FIRM) qualified to do business in the Commonwealth of Kentucky (Commonwealth), to perform a SOC 2 Type 2 engagement of the Commonwealth's Office of Technology (COT) for the period July 1, 2019 through June 30, 2020 (Fiscal Year 2020). The initial contract must expire on June 30, 2020 to comply with Government Contract Review Committee Policy 99-4, but a renewal is anticipated through June 30, 2021 to allow for completion of the engagement for this time period. The Auditor of Public Accounts reserves the right to renew the contract, as outlined in Section 10.30, for FIRM to perform additional SOC 2 Type 2 engagements for subsequent fiscal years.

The engagement will be conducted due to the role of COT as a primary service center to the Commonwealth. As a service center, COT has a significant impact on the controls associated with the security, availability, processing integrity, confidentiality, or privacy of agency data and systems used to develop the Commonwealth's Comprehensive Annual Financial Report and the Statewide Single Audit of Kentucky.

2.00 Scope of Work

A. General Nature of Services Required

Using guidance established by the American Institute of Certified Public Accountants, a Report on an examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy, (SOC 2 Type 2) of the Commonwealth's Office of Technology, covering the period from July 1, 2019 through June 30, 2020.

B. Engagement Standards to be Followed

The engagement shall be performed in accordance with auditing standards generally accepted in the United States of America, guidance issued by the American Institute of Certified Public Accountants, and Government Auditing Standards issued by the Comptroller General of the United States.

C. Prime FIRM Responsibility

Proposals from a consortium of FIRMS shall be accepted provided that a prime FIRM is designated in the proposal and remains solely responsible for fulfillment of the contract with Auditor of Public Accounts (APA).

APA reserves the right to reject FIRM'S use of any subcontractor. During the term of the contract, no subcontractor will be used without the prior written approval of APA. APA may permit FIRM to substitute a different subcontractor in case of such rejection. Failure to notify APA of the use of a subcontractor in time to secure APA approval may result in termination for breach.

D. Representation Letter

The proposal shall include a representation letter stating that FIRM is in compliance with standards generally accepted in the United States of America and the provisions of Government Auditing Standards, issued by the United States Government Accountability Office, concerning continuing education requirements, independence, and peer review.

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E. Cost of Preparing Proposal

Costs for developing the proposal are solely the responsibility of FIRM. APA shall provide no reimbursement for such costs. Any costs associated with any oral presentations to APA shall be the responsibility of FIRM and shall in no way be billable to APA.

F. Partial Performance

In the event FIRM fails to comply with the provisions of the contract to the satisfaction of APA, payment under the contract may, at APA's discretion, be withheld and liquidated damages may be applied as set out in this RFP until such time as the contract terms have been fulfilled. This condition also allows for administrative, contractual, and legal remedies as determined by the Secretary of the Finance and Administration Cabinet or the Attorney General of the Commonwealth where it appears that the FIRM has violated, breached, or defaulted on the contract.

G. Specific Services to be Performed

1. FIRM shall perform a SOC 2 engagement at COT of controls placed in operation and tests of operating effectiveness. The engagement should include testing and other procedures to obtain reasonable assurance that:
 - a) Any description provided by COT of the service organization's system is fairly presented
 - b) Controls included in the COT description were suitably designed to achieve the applicable trust services criteria if the controls operated effectively; and
 - c) Such controls were placed in operation and, in all material respects, are operational and functioning effectively to meet the applicable trust service criteria.
2. If significant COT controls were designed with the assumption that certain agency controls can be relied upon by COT to achieve the control objective, these significant agency controls should be identified in the COT description of controls.
3. The trust service principles to be addressed in the engagement will be Security, Availability, Processing Integrity, Confidentiality, and Privacy: **Privacy is excluded in the engagement.**

H. Reports to be Delivered to Auditor of Public Accounts (APA)

FIRM shall deliver to the APA for issuance under APA cover the following report and letters by the dates shown:

1. A report expressing an opinion on the description of policies and procedures placed in operation at COT and tests of operating effectiveness, as provided in the AICPA Codification of Statements on Auditing Standards, shall be furnished to the APA no later than **September 30, 2020**. Notwithstanding the requirements of these standards, a section of the report will contain all significant **deficiencies** and material weaknesses and recommendations for improvement pertaining to COT that are the result of the findings and conclusions reached during the performance of this engagement.
2. FIRM shall make immediate notification to the APA, followed by a written report, of any fraud or illegal act or indications thereof that comes to the FIRM's attention during the term of the contract.
3. FIRM shall make immediate notification to the APA, followed by a written report, of any security risk or other matter that comes to the FIRM's attention which may have a significant impact on the Commonwealth's financial statements.

I. Conditions for the Development and Presentation of Reports

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1. The final report shall be presented in the manner prescribed by the AICPA Reporting on an examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy Type 2 (SOC 2) and all additionally referenced guidance. A section of the report shall contain all deficiencies, with those significant deficiencies that are considered material weaknesses being appropriately segregated and identified. Any other matters conveyed to COT shall be in writing, and a copy of that correspondence shall be forwarded to APA.

In accordance with Government Auditing Standards, significant and material deficiencies presented as part of the reports, as well as other control deficiencies conveyed in a separate management letter, shall be well developed and shall consist of the following components to the extent practicable:

- a) A statement of condition;
- b) The criteria for the deficiencies;
- c) The cause of the condition;
- d) The effect of the condition;
- e) A recommendation for correction; and
- f) Management's response specifying the action plan to address the recommendation.

Firm shall also deliver electronic copies of completed audit documentation (working papers) with the draft audit reports.

APA staff shall complete a report review, including audit documentation, and notify Firm of discrepancies, if any, to be corrected. Firm shall correct reported discrepancies in a manner and time established by APA. Failure of Firm to correct reported discrepancies in the manner and time established by APA may result in the imposition of liquidated damages under Section 2.00(P) of this RFP, or other damages.

2. If the delivery of the final report or management letter required by **September 30, 2020**, is delayed, draft copies of the report and management letter shall be furnished to APA by **September 30, 2020**.
3. FIRM shall deliver a copy of the draft report and management letter to APA at least one week prior to presentation of the draft to COT. The SOC 2 engagement opinion, report, management letter, and any supplemental information presented to COT should all be marked as "draft copy" and shall not be public until released by APA under its own cover.
4. FIRM shall provide, at least one week prior to the exit conference, a draft copy of the SOC 2 engagement report and management letter to COT and discuss its contents with representatives of that office and to the APA to satisfy exit conference requirements. COT's responses to engagement findings shall be included in the report presented at the exit conference. Exit conference with COT, which the APA may attend, must be held prior to the public release of the report.
5. Publication, issuance, and distribution of the final engagement report and management letter shall be the responsibility of the APA.
6. Report Formatting Submittal and Specifications

An electronic copy of the final management letter and report is to be provided to the APA by email attachment or through web access. The final management letter and report should be submitted in Word (.doc) format. Additional formatting should include electronic signatures where required, Times New Roman as the font (both text and spreadsheet) for all documents, use of hard page returns, and spreadsheets, charts, etc., should be included in the document as appropriate.

J. Firm's Responsibilities During the Contract Term

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1. FIRM shall provide to COT and APA a client assistance letter designating schedules, reports, and procedures that are required to make the engagement most efficient.
2. FIRM shall designate a project manager who shall be the contact with APA. The project manager shall oversee all activities for FIRM. The project manager shall provide an e-mail address, fax number, and phone number to APA for daily contact purposes.
3. FIRM shall provide COT and APA a listing of names, titles, and brief biographies for all individuals involved with the engagement.
4. The FIRM shall notify APA of any professional staff assignment changes made by FIRM for this engagement. FIRM will provide APA written explanation for the change in professional staff assigned to the engagement and provide a brief biographical sketch detailing the professional experience of the new staff person assigned to this engagement. Professional staff assigned as a replacement for this engagement will have skills and experience that at a minimum are commensurate with the professional staff originally proposed to be assigned to this engagement. APA reserves the right to approve the assignment of professional staff replacements.
5. FIRM shall be responsible for becoming familiar with appropriate state laws and regulations, and with appropriate engagement standards.
6. FIRM shall arrange for an entrance conference to detail the engagement approach, engagement timeline that will be adhered to, progress meetings to discuss engagement issues, and an exit conference to finalize findings with COT and APA representatives.
7. FIRM shall be responsible for personnel, supplies, and equipment.
8. FIRM shall be responsible for all services offered in FIRM's proposal whether or not FIRM provides such services.
9. FIRM shall have general professional liability insurance or specific professional liability insurance for this engagement in an amount equal to the contract price and provide APA with proof of this coverage.
10. FIRM shall be responsible for all-material errors and omissions in the performance of the contract.
11. FIRM shall notify APA in writing when the fieldwork begins.
12. FIRM shall provide a copy of engagement documentation and work papers to APA at no additional cost.
13. Upon APA approval of the FIRM'S draft report, FIRM is responsible for presenting the report and management letter to COT.
14. Upon request, FIRM shall present or discuss engagement findings to legislative committees or other appropriate parties.
15. In the event the APA does not find the Firm's draft report or audit documentation acceptable, and returns it to Firm for further work, the Firm shall perform the follow-up work within 10 working days, unless otherwise agreed to by the APA.
16. The FIRM shall provide a secure mechanism for the sharing of confidential and protected information throughout the audit engagement that ensures that sensitive and/or proprietary data is protected in transit and at rest.
17. The Commonwealth Office of Technology (COT) is the designated owner of all data and shall approve all access to that data. The vendor shall not have ownership of Commonwealth data at any time. The vendor shall not profit from or share Commonwealth data. The vendor shall be in compliance with privacy policies established by governmental agencies or by state or federal law. Privacy policy statements may be developed and amended from time to time by the Commonwealth and will be appropriately displayed on the Commonwealth portal (Ky.gov). The vendor should provide sufficient security to protect the Commonwealth and COT data in network transit, storage, and cache. **All data, including backups and archives, must be maintained at all times within the contiguous United States. All sensitive data, as defined in Enterprise Standards, must be encrypted in-transit and at rest.**

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- a) The FIRM shall adhere to Commonwealth enterprise policies, standards and guidelines when conducting on site audit activities that require direct connection to the state owned network:Enterprise Policies:
- b) <https://technology.ky.gov/policy/Pages/policies.aspx>
- c) Enterprise Standards:
- d) <https://technology.ky.gov/Governance/Pages/KITS.aspx>
- e) Security Guidelines:
- f) <https://technology.ky.gov/policy/Documents/Enterprise%20Security%20Controls%20and%20Best%20Practices.pdf>

K. COT's Responsibilities During the Contract Term

1. COT shall prepare and deliver to FIRM a complete and accurate description of controls in place related to the applicable trust service principles for the period under engagement.
2. COT shall make all relevant files and records available to FIRM.
3. COT may discuss the draft findings with FIRM and, no later than ten work days after receipt, shall provide FIRM a written response to the draft findings.
4. COT shall provide assistance to FIRM; namely, gathering supporting documentation from the files and preparing schedules.
5. COT shall make appropriate personnel available on a reasonable basis for interviews and information-gathering purposes.

L. APA's Responsibilities During the Contract Term

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1. APA shall designate—in writing—a liaison to coordinate activities among APA, FIRM, and COT.
2. APA shall be solely responsible for issuing and distributing all reports under APA cover.
3. APA shall review and comment on FIRM's working papers and draft reports.
4. APA shall review and provide written acceptance of the final report and provide payment to FIRM in accordance with this RFP.
5. APA may attend entrance and exit conferences with FIRM and COT.

M. Progress Reports

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Upon the request of APA, FIRM shall attend meetings to discuss the progress of the engagement. FIRM shall submit a monthly progress report to APA liaison. These reports shall begin one month after the beginning date of the contract and end with the submission of the final report and letters. Each report shall provide a brief synopsis of engagement's progress and a cumulative record of budgeted to actual time by FIRM's engagement staff. Each report shall also include any significant issues that may affect FIRM's ability to comply with the terms of the contract.

N. Engagement Documentation

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All engagement documentation (working papers) and reports must be retained, at FIRM's expense, for a period of six years unless FIRM is notified in writing by APA of the need to extend the retention period. FIRM shall be required to make engagement documentation available, upon request, to the APA.

In addition, FIRM shall respond to all inquiries of successor auditors.

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O. Modifications to Statement of Work

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Any modifications to the statement of work or changes in the time necessary to complete the work shall be thoroughly discussed with FIRM and agreed to in writing by the FIRM and APA prior to the implementation of any modification or change. If necessary, the contract amount may be amended to reflect such modification or change, which may exceed the cap set out in the cost proposal.

P. Payment for Services

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1. Payment Procedures

Payment is predicated upon completion of the described work and APA approval of engagement documentation. Invoices shall be signed and submitted to Jason Johnson, 209 St. Clair Street, Frankfort, Kentucky, 40601-1817, with adequate supporting documentation, including but not limited to:

- a. Period the services cover;
- b. Detail of hours worked with the hourly rate and detail of total hours worked.

All invoices must conform to the requirements of KRS 45A.695(10): <http://www.lrc.ky.gov/statcomm/contracts/PSC%20INVOICE%20FORM.pdf>

Payment will be made only for hours actually worked.

2. Method of Payment

FIRM may request up to two progress payments prior to the completion of the audit. Such payments shall be based on FIRM'S hourly rate multiplied by the number of hours worked in a month as reflected in FIRM'S progress reports, except that the maximum that may be invoiced for any one payment shall not exceed one-third of the total contract amount. APA shall withhold 10 percent of each progress billing plus one-third of the total contract amount until satisfactory completion of the contract terms as described herein has been achieved, as determined by the APA.

Every reasonable effort shall be made to provide payments, in accordance with KRS 45.453, to FIRM within 30 days after receipt of a properly signed and supported invoice.

3. Liquidated Damages

By submitting a proposal in response to this RFP, FIRM acknowledges that timely performance of the engagement is necessary for the continued functioning of APA and the Commonwealth Office of Technology. FIRM further acknowledges that actual harm would be caused to the Commonwealth and the APA by delay in completion of said contract, and that the amount (but not the existence) of actual loss by APA is not amendable to calculation or proof in a civil action for recovery of same. Therefore, the formula as set out below is deemed reasonable by each party as a means of calculating liquidated damages in the event of delayed completion.

At the discretion of the APA, FIRM may be assessed as liquidated damages for each calendar day or portion thereof after the due date of the audit's completion (September 30, 2020) where it has not been delivered to the APA in accordance with the contract or that the engagement remains inaccurate or incomplete and, therefore, not timely submitted.

Damages may be calculated for each day after **September 30, 2020** as follows:

Total Contract Amount X 2% = Amount of damages Assessed Per Day.

Example: Calculation of damages for the day **October 1, 2020**

Total Contract Amount = \$3,000

\$3,000 X 2% = \$60 damages for **October 1**.

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Liquidated damages may be calculated daily for each calendar day after **September 30, 2020** that the engagement remains incomplete, inaccurate, or not delivered. Total liquidated damages assessed shall not exceed the Total Contract Amount.

3.01 Evaluation Criteria

The APA will evaluate the proposals based on the following evaluation factors:

A. Technical Proposal Evaluation: maximum 1,000 points

To assist in comparing proposals relative to the evaluation criteria, a technical proposal shall include among its material the following information in distinct, easily distinguished sections. APA shall evaluate all proposals in accordance with KRS 45A.695. Each proposal shall be evaluated by members of the Evaluation Committee as follows:

Responsiveness to RFP 200 points

This criteria refers to an evaluation of the FIRM's proposal's adherence to the technical requirements of this RFP. Including in particular the information and documents solicited and the clarity and cohesion of the RFP as a written, consolidated package, and the inclusion of the following information in the proposal itself.

1. A statement that FIRM is a properly licensed certified public accountant who, at the time the proposal is submitted to the APA, meets the qualifications existing to do business within the Commonwealth of Kentucky and to perform the COT SOC 2 engagement.
2. A statement that FIRM meets the independence, continuing education, and peer review standards of Government Auditing Standards.
3. A statement that FIRM has reviewed all relationships and has determined that it meets the objectivity and independence standards of the Code of Professional Conduct of the American Institute of Certified Public Accountants.
4. A listing of FIRM's professional relationships involving the Commonwealth and any of its component units for the past five years, together with a statement explaining why such relationships do not constitute a conflict of interests in providing assistance to APA. Prior to contract execution, FIRM may be asked to disclose further information involving relationships with major vendors of the Commonwealth or its components.
5. A description of FIRM's quality control procedures.
6. A statement disclosing whether the Kentucky Board of Accountancy or any other state's CPA licensing body has taken disciplinary action against the FIRM (or any CPA employed or retained by FIRM who will work on this engagement) within the past five calendar years, and if so, a detailed explanation of the circumstances of the disciplinary action taken.
7. The proposal shall be prepared and presented as a single volume where practical, including supporting documentation.
8. Proposals shall be prepared simply and economically, providing a straightforward, concise description of FIRM's capabilities to satisfy the requirements of the RFP. Elaborate bindings, colored displays, and promotional materials are not desired. Emphasis shall be on completeness and clarity of content. Repetition of the terms and conditions of this RFP, without additional explanation, shall not be considered sufficiently responsive.
9. The proposal shall include a title page stating the RFP subject, name of FIRM, local address, telephone number, fax number, email address, name of contact person, and date and a table of contents which clearly identifies material by section and page number.

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10. The proposal shall include a statement that no cost or pricing information has been included in the technical proposal and that that FIRM's proposal shall remain valid for 90 calendar days after the closing date of the receipt of the proposals.

Kentucky government and/or SOC2 Audit Experience 200 points

This criteria refers to an evaluation of the FIRM's prior successful experience in managing, executing, and delivering on contracts for audits of state agencies, local governments and officials, special purpose government entities, educational systems and institutions, and other public and quasi-public entities as well as prior successful experience the FIRM has in any jurisdiction in managing, executing, and delivering a quality SOC2 Audit.

1. A description of FIRM-wide experience during 2015, 2016, 2017, 2018, and 2019 working on audits of Kentucky governmental entities.
2. A description of FIRM-wide experience during the last 5 years working on:
 - a. SSAE 16 and SSAE 18 engagements of service center organizations; and
 - b. SOC 2 engagements of service center organizations.

FIRM's audit personnel experience 200 points

This criteria refers to an evaluation of the individuals the FIRM proposes to utilize in managing and performing the audit, both as to education and professional training as well as prior successful experience in performing the type of work they would be performing in this SOC2 engagement.

1. A description of experience during the last 5 years of partners, managers, supervisors, seniors, and other professional staff that will work on the engagement, giving the year, engagement partner, total hours, and the name and telephone number of the principal client contact, as to:
 - a. Audits involving Kentucky state agencies;
 - b. SSAE 16 and SSAE 18 engagements of service center organizations; and
 - c. SOC 2 engagements of service center organizations.

FIRM's capacity and resources 200 points

This criteria refers to an evaluation of the FIRM's ability to have sufficient technical expertise, staffing levels, data analytics capabilities, logistics, and redundancy in all areas to execute the SOC2 audit with high quality deliverables, including the final report, by the deadlines set out in this RFP.

1. FIRM background information covering:
 - a. Date established;
 - b. Location of clientele - local, regional, national, or international; and
 - c. Total number of professional staff.
2. Local office information covering:
 - a. Location of FIRM office that will supply staff;
 - b. Number of partners, managers, supervisors, seniors, and other professional staff employed in FIRM office that will supply staff; and
 - c. Brief biographical sketch detailing experience of professional staff who will be assigned to the engagement

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3. The hours proposed by the firm as needed to complete the engagement, with the proposed hours agreeing with those provided in the separate cost proposal. However, do NOT present cost information in this technical proposal.
4. A statement of whether FIRM's most recent peer review included a review of specific government engagements, together with a copy of the peer review report, including letter of comments, if applicable.
5. A work plan, including the engagement approach that would be used in providing the services required in this RFP, including, but not be limited to, the following engagement approach areas for a service center organization:
 - a. Setting engagement timeline;
 - b. Engagement planning and analytical procedures;
 - c. Documenting the general computer controls and assessing control risk;
 - d. Developing the engagement plan and engagement program;
 - e. Sampling techniques - Tests of control effectiveness;
 - f. Documenting and collecting evidence;
 - g. An identification of any IT applications developed for this type of engagement and existing software that will be available;
 - h. An advisement of activities unique to COT and the approach FIRM intends to use to examine them; and
 - i. Developing engagement report.

Evaluation of FIRM 200 points

An evaluation of the FIRM's reputation and business goodwill within the auditing profession and its client base as evidenced by past successful engagements, customer responsiveness, and other relevant performance measures and the feedback provided by the community and its clients in response to requests by the APA for reference checks on the FIRM.

1. The client contact information for the previous audits by FIRM as described in response to FIRM's audit personnel experience may be utilized to obtain feedback.
2. At its discretion, FIRM may provide additional client references.

B. Cost Proposal Evaluation: maximum 50 points

SEE **ATTACHMENT A** FOR PROPOSAL EXAMPLE FORM

The same person signing the transmittal letter in the technical proposal shall sign the cost proposal.

The cost proposal shall be for the services requested in this RFP, and shall contain the name of FIRM and classification, time, and rate information as set forth below.

In making a cost proposal, **FIRM** shall be cognizant of GCRC Policy 99-5 which states:

It shall be the policy of the Government Contract Review Committee of the Legislative Research Commission to consider for approval, only those personal service contracts for auditing services that conform to the following description and maximum rate schedule:

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Private Auditors and Auditing Firms

Duties:

Under general supervision, provides independent professional auditing of accounts, financial transactions, and spending of a state agency in accordance with generally accepted auditing principals and standards as a private auditor or as a principle, partner, manager, or staff within an auditing firm.

*Maximum Rate Schedule:

Principle or Partner	Not to exceed \$125/hour
Senior Auditor or Manager	Not to exceed \$100/hour
Junior Auditor or Staff Auditor	Not to exceed \$75/hour

*Fees paid by an agency shall not exceed the committee's maximum rate schedule, unless required by the complexity or uniqueness of the audit, in which case, prior justification must be presented to the committee.

The "not to exceed" negotiated contract price shall be binding on FIRM upon execution of a contract with APA. Final contract price shall be determined in accordance with KRS 45A.695

C. Oral Presentation, if necessary: maximum 100 points

Up to 100 points may be awarded following an oral presentation if oral presentations are requested in accordance with 9.80 and 9.85 of this RFP.

4.00 Schedule of RFP Activities

The following schedule presents the major activities associated with the RFP distribution, written questions and proposal submission. The APA reserves the right at its sole discretion to change the Schedule of Activities, including the associated dates and times.

Release of RFP	3/10/2020
Written Questions due by: 4:30 PM	3/17/2020
Anticipated Commonwealth Response to Written Questions	3/20/2020
Offeror Conference	N/A
Anticipated Commonwealth Response to Vendor Conference Written Questions	N/A
Proposals Due by: 4:30 PM	4/3/2020 4/13/2020
All bidders are cautioned to be aware of the security in the Auditor of Public Accounts located at 209 St. Clair St., Frankfort, Kentucky . All bids shall be time stamped in the Auditor of Public Accounts no later than the due date and time defined in this Solicitation. In person or courier delivered bids in response to this Solicitation shall be delivered to Auditor of Public Accounts, Attn: Tim Gutman . Delays due to building security checks shall not be justification for acceptance of a late bid.	
*NOTE: ALL TIME REFERENCES ARE TO THE EASTERN TIME ZONE.	

5.00 Offeror's Conference Not Applicable

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6.00 Point of Contact

The Agency Contact named below shall be the sole point of contact throughout the procurement process. All communications, oral and written (regular mail, express mail, electronic mail or fax), concerning this procurement shall be addressed to:

Tim Gutman

Auditor of Public Accounts

209 St. Clair St.

Frankfort, KY 40601

502-564-5841

Email: Tim.Gutman@ky.gov

From the issue date of this RFP until a Contractor(s) is selected and the selection is announced, Offerors shall not communicate with any other APA staff concerning this RFP.

7.00 Questions Regarding this RFP

Questions must be submitted in writing to the Agency Contact. The APA will respond to salient questions in writing by issuing an Addendum to the Solicitation. The Addendum shall be posted to the Commonwealth's eProcurement page.

8.00 Proposal Submission

Each qualified offeror shall submit only **one (1) proposal**. **Alternate proposals shall not be allowed.** Failure to submit as specified shall result in a non-responsive proposal.

The vendor should complete the "Vendor" box on the face of the solicitation. An authorized representative of the vendor shall sign where indicated on the face of the solicitation. If the solicitation is not signed the proposal shall be deemed non-responsive.

-

Acknowledgment of Addenda

It is the vendor's responsibility to check the web site for any modifications to this solicitation. Vendors are encouraged to acknowledge each addendum by signing and submitting the latest addendum with their response. However, signing the face of the solicitation as indicated above constitutes the vendor's acknowledgement of and agreement to be bound by the terms of all addenda issued.

Failure to specifically acknowledge addenda will not excuse the vendor from adhering to all changes to the requirements of the solicitation set forth therein nor provide justification for any pricing changes.

All submitted technical and cost proposals shall remain valid for a minimum of six (6) months after the proposal due date.

Proposals shall be submitted in up to three (3) parts: The **Technical Proposal**, the **Cost Proposal**, and, if any proprietary information is submitted, the **Proprietary Information**.

The **Technical Proposal** should include one (1) original hard/paper copy marked Technical and five (5) electronic copies contained on thumb/flash drives (in Microsoft Word, Microsoft Excel or PDF format ONLY) marked Technical. Do not include embedded documents, hyperlinks or hyperlinks to videos.

The **Cost Proposal** should include one (1) original hard/paper copy marked Cost and five (5) electronic copies contained on thumb/flash drives (in Microsoft Word, Microsoft Excel or PDF format ONLY) marked Cost. Do not include embedded documents, hyperlinks or hyperlinks to videos.

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The **Proprietary Information** should include one (1) original hard/paper copy marked Proprietary Information and five (5) electronic copies contained on thumb/flash drives (in Microsoft Word, Microsoft Excel or PDF format ONLY) marked Proprietary Information. Do not include embedded documents, hyperlinks or hyperlinks to videos.

All proposals must be received no later than April 3, 2020 at 4:30 PM. April 13, 2020

Proposal shall be submitted to the Agency Contact. The outside cover of the package containing the technical proposal shall be marked:

COT SOC 2 Type 2 AUDIT
RFP 0452000000297 TECHNICAL PROPOSAL
Name of Offeror

The outside cover of the package containing the cost proposal shall be marked:

COT SOC 2 Type 2 AUDIT
RFP 0452000000297 COST PROPOSAL
Name of Offeror

ELECTRONIC OR FACSIMILE PROPOSALS SHALL NOT BE CONSIDERED.

8.10 Format of Technical Proposal

The Technical Proposal must be arranged and labeled in the manner set forth below.

Transmittal Letter – a Transmittal letter shall be submitted on Offeror's letterhead, and signed by an agent authorized to bind the Offeror. The Transmittal letter shall include the following:

a.	A statement that deviations are included, if applicable.
b.	A statement that proprietary information is included, if applicable.
c.	A statement that, if awarded a contract as a result of this Solicitation, the Offeror shall comply in full with all the requirements of the Kentucky Civil Rights Act, and shall submit all data required by KRS 45.560 to 45.640.
d.	A sworn statement that, pursuant to KRS 11A.040, that Offeror has not knowingly violated any provisions of the Executive Branch Code of Ethics.
e.	A statement certifying that the price in this proposal was arrived at independently without collusion, consultation, communication, or agreement as to any matter relating to such prices with any other Offeror or with any competitor.
f.	A statement affirming that the Offeror is properly authorized under the laws of the Commonwealth of Kentucky to conduct business in this state and will remain in good standing with the Office of the Kentucky Secretary of State for the duration of any awarded contract resulting from this Solicitation.
g.	The name, address, telephone number, fax number and email address and website address, if available, of the contract person to serve as a point of contact for day-to-day operations.
h.	Subcontractor information to include the name of the company, address, telephone number and contact name, if applicable.
i.	Foreign entity's organization number issued by the Secretary of State in a certificate of authority or a statement of foreign qualification, if applicable.

Completed and Signed Solicitation and Addenda – An authorized representative MUST complete and sign the Solicitation form and include the following:

- "Vendor" box and "Payment" box should be completed.
- Vendor shall indicate ownership type.
- Vendor shall provide "FEIN" if applicable.
- Vendor shall provide date the form is completed and signed.

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- e. Signed face of the most recent Addenda, if applicable.

Signed and Notarized Required Affidavit for Bidders or Offerors - available at the following link:
<http://finance.ky.gov/services/forms/Pages/default.aspx>

Signed and Notarized Required Affidavit for Bidders, Offerors and Contractors Claiming Resident Bidder Status – if applicable. Available at the following link:
<http://finance.ky.gov/services/forms/Pages/default.aspx>

*Offerors not claiming Resident Bidder Status need not submit this affidavit.

Signed and Notarized Required Affidavit for Bidders, Offerors and Contractors Claiming Qualified Bidder Status – if applicable. Available at the following link:
<http://finance.ky.gov/services/forms/Pages/default.aspx>

*Offerors not claiming Qualified Bidder Status need not submit this affidavit.

Response to the Technical Portion of the RFP – Please provide a detailed response to the technical requirements outlined in the Evaluation Criteria. No cost information shall be provided in the technical portion.

8.20 Format of Cost Proposal

The Cost Proposal must be submitted under separate cover from the Technical Proposal and must be arranged and labeled in the manner specified. The proposal with the lowest price receives the maximum score. The remaining proposals with the next lowest price receives points by dividing the lowest price by the next lowest price and multiplying that percentage by the available points.

8.30 Certification Regarding Debarment and Suspension

In accordance with Federal Acquisition Regulation 52.209-5, the Offeror shall certify, by signing the Solicitation, that to the best of its knowledge and belief, the Offeror and/or its Principals is (are) not presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any state or federal agency.

For the purposes of this certification, “Principals”, means officers, directors, owners, partners, and persons having primary management or supervisory responsibilities within a business entity (e.g., general manager, plant manager, head of subsidiary, division, or business segment, and similar positions.

9.00 Rules of Procurement

To facilitate this procurement, various rules have been established. These are described in the following paragraphs.

Offerors should review and comply with the General Conditions and Instructions for Solicitation/Contract listed under “Response to Solicitation” located on the eProcurement web page at
<http://finance.ky.gov/services/policies/Documents/FAP%20110-10-00.pdf>

The procurement process will provide for the evaluation of proposals and selection of the winning proposal in accordance with state law and regulations. KRS Chapter 45A of the Kentucky Model Procurement Code provides the regulatory framework for the procurement of services by state agencies.

9.10 Technical Proposal Evaluation

The APA will evaluate the proposal based on the technical portion of the Evaluation Criteria. Each Offeror is responsible for submitting all relevant, factual and correct information with their offer to enable the evaluator(s) to afford each vendor the maximum score based on the available data submitted by the Offeror. Past Offeror Performance may be considered in the award of this Contract. Offerors with a record of poor performance in the last twelve (12) months may be found non-responsive and ineligible for award.

9.20 Cost Proposal Evaluation

The APA will evaluate the proposal based on the cost portion of the Evaluation Criteria.

Offeror shall only provide cost on the attached Cost Proposal Form; otherwise, the proposal may be deemed non-responsive.

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9.30 Right to Reject/Waiver of Minor Irregularities

The Commonwealth reserves the right at its discretion to reject any and all offers. The Commonwealth also reserves the right at its discretion to waive informalities and minor irregularities in offers received.

9.40 Clarification of Proposals

The Commonwealth reserves the right at its discretion to request additional information as may reasonably be required for selection and to reject any proposals for failure to provide additional information on a timely basis.

The Commonwealth reserves the right to conduct discussions with any Offeror who has submitted a proposal to determine the Offeror's qualifications for further consideration. Such discussions shall not disclose any information derived from proposals submitted by other Offerors.

9.50 Best and Final Offers

The Commonwealth reserves the right at its discretion to request a Best and Final Offer (BAFO) for technical and/or cost proposals. Offerors are cautioned to propose their best possible offers at the outset of the process, as there is no guarantee that any Offeror will be allowed an opportunity to submit a Best and Final technical and/or cost offer.

9.60 Vendor Response and Public Inspection

This RFP specifies the format, required information and general content of proposals to be submitted in response to the RFP. The APA shall not disclose any portions of the proposals prior to contract award to anyone outside the APA, representatives of the agency for whose benefit the contract is proposed, representatives of the federal government, if required, and the members of the evaluation committee. After a contract is awarded in whole or in part, the Commonwealth shall have the right to duplicate, use, or disclose all proposal data submitted by Offerors in response to this RFP as a matter of public record.

Any and all documents submitted by an Offeror in response to the RFP shall be available for public inspection after contract award pursuant to the Kentucky Open Records Act, KRS 61.870 to 61.884 ("the Act"). When responding to a request to inspect records submitted in response to this RFP, the Commonwealth will not redact or withhold any information or documents unless the records sought are exempt from disclosure pursuant to KRS 61.878 or other applicable law. Similarly, no such documents shall be exempt from public disclosure, regardless of the Offeror's designation of the information contained therein as "proprietary," "confidential," or otherwise, except in cases where the requested documents (or information contained therein) would be excluded from application of the Act under KRS 61.878(1)(c).

The Commonwealth of Kentucky shall have the right to use all system ideas, or adaptations of those ideas, contained in any proposal received in response to this RFP. Selection or rejections of the proposal will not affect this right.

9.70 Reciprocal Preference for Kentucky Resident Bidders and Preferences for a Qualified Bidder

The scoring of bids/proposals is subject to the reciprocal preference for Kentucky resident bidders and preferences for a Qualified Bidder or the Department of Corrections, Division of Prison Industries (See KRS 45A.490(1), (2), 45A.492, 45A.494 and KAR 200 5:410).

Vendors not claiming resident bidder or qualified bidder status need not submit the corresponding affidavit.

Determining the residency of a bidder for purposes of applying a reciprocal preference

Any individual, partnership, association, corporation, or other business entity claiming resident bidder status shall submit the attached Required Affidavit for Bidders, Offerors and Contractors Claiming Resident Bidder Status as part of its response. The APA reserves the right to request documentation supporting a bidder's claim of resident bidder status. Failure to provide such documentation upon request shall result in disqualification of the bidder or contract termination.

As part of its response, a nonresident bidder shall submit its certificate of authority to transact business in the Commonwealth of Kentucky, as on file with the Secretary of State. The location of the principal office identified therein shall be deemed the state of residency for that bidder. If the bidder is not required by law

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to obtain said certificate, the state of residency for that bidder shall be deemed to be that which is identified in its mailing address as provided in its bid.

Preferences for Qualified Bidder or the Department of Corrections, Division of Prison Industries (200 KAR 5:410)

Pursuant to KRS 45A.470 and 200 KAR 5:410, Kentucky Correctional Industries will receive a preference equal to twenty (20) percent of the maximum points awarded to a bidder in a solicitation. In addition, the following "qualified bidders" will receive a preference equal to fifteen (15) percent of the maximum points awarded to a bidder in a solicitation. New Vision Industries, Inc., any nonprofit corporation that furthers the purposes of KRS Chapter 163 and any qualified nonprofit agencies for individuals with severe disabilities as defined in KRS 45A.465(3). Any bidder claiming "qualified bidder" status, other than New Vision Industries, Inc., shall submit a notarized affidavit affirming that it meets the requirements to be considered a qualified bidder as part of its response to the solicitation (affidavit form included as part of this RFP). If requested, failure to provide documentation proving qualified bidder status to a public agency, if requested, may result in disqualification of the bidder or contract termination.

9.80 Right to Use Oral Presentations to Verify/Expand on Proposal

The Commonwealth reserves the right at its discretion to require Oral Presentations by some or all of the Offerors to verify or expand on the Technical or Cost Proposals.

9.85 Oral Presentation Evaluation Criteria

The highest ranking vendors may be requested to provide oral presentations/demonstrations to answer questions or to clarify the understanding of the evaluators in accordance with the requirements of this RFP. The oral presentation shall be scheduled at the discretion of the APA. The APA reserves the right not to require oral presentations/demonstrations at its discretion or in the event that they would not affect the final rankings.

9.90 Negotiation

After conducting the evaluation to determine the best proposal received, the APA reserves the right to negotiate a fair and reasonable compensation based on the pricing submitted in the offeror's proposal. If the negotiations fail to reach an agreement on a fair and reasonable compensation rate, the APA reserves the right to proceed to the next highest ranked proposal. Other terms and conditions relating to the technical and/or cost proposals may be negotiated at the sole discretion of the APA.

9.95 Best Interests of the Commonwealth

The APA will rank all proposals in the manner set forth in the Evaluation Criteria. However, the APA reserves the right to reject any or all proposals in whole or in part before, during, or after negotiation based on the best interests of the APA.

CONTRACT AWARD, TERMS, AND CONDITIONS

10.00 Notification of Award

To view the award of contract(s), including the contractor(s) receiving the award(s) for this solicitation, access the Kentucky Vendor Self Service Site at:

<http://emarsonline1311.state.ky.us/webapp/vssprdonline/AltSelfService>.

Offerors can search for the solicitation title or number in the keyword search field or filter their search for only awarded solicitations by clicking on "Advanced Search" and changing the status to "awarded." The award(s) information can be accessed by clicking on the details button of the solicitation and clicking the "Notice of Award" tab. It is the Offeror's responsibility to review this information in a timely fashion. No other notification of the results of an Award of Contract will be provided to unsuccessful Offerors.

10.10 Beginning of Work

This Contract is not effective and binding until approved by the Secretary of the Finance and Administration Cabinet and filed with the Legislative Research Commission's Government Contract Review Committee. The Contractor shall not commence any billable work until a valid Contract has been fully executed. This Contract, including the components referenced in Section 10.20, shall represent the entire agreement

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between the parties. Prior negotiations, representations, or agreements, either written or oral, between the parties hereto relating to the subject matter hereof shall be of no effect upon this Contract.

10.20 Contract Components and Order of Precedence

The Commonwealth's acceptance of the Contractor's offer in response to the Solicitation, indicated by the issuance of a Contract Award, shall create a valid contract between the Parties consisting of the following:

1. Procurement Statutes, Regulations and Policies
2. Any written Agreement between the Parties.
3. Any Addenda to the Solicitation.
4. The Solicitation and all attachments
5. Any Best and Final Offer.
6. Any clarifications concerning the Contractor's proposal in response to the Solicitation.
7. The Contractor's proposal in response to the Solicitation.

In the event of any conflict between or among the provisions contained in the Contract, the order of precedence shall be as enumerated above.

10.30 Contract Term and Renewal Option

The initial term of the Contract is anticipated to be from May 1, 2020 through June 30, 2020.

This agreement is not effective until the Secretary of the Finance and Administration Cabinet or his authorized designee has approved the Contract and until the Contract has been filed with the Legislative Research Commission, Government Contract Review Committee.

The Commonwealth reserves the right to renew this contract for up to four (4) additional one (1) year periods.

Renewal shall be subject to prior approval from the Secretary of the Finance and Administration Cabinet, or this authorized designee, and the LRC Government Contract Review Committee in accordance with KRS 45A.695 and KRS 45A.705.

10.40 Changes and Modifications to the Contract

Pursuant to 200 KAR 5:311, no modification or change of any provision in the Contract shall be made, or construed to have been made, unless such modification is mutually agreed to in writing by the Contractor and the APA, and incorporated as a written amendment by the APA prior to the effective date of such modification or change. Modification shall be subject to prior approval from the Secretary of the Finance and Administration Cabinet, or this authorized designee, and the LRC Government Contract Review Committee. Memoranda of Understanding, written clarification, and/or other correspondence shall not be construed as amendments to the Contract.

10.50 Notices

Unless otherwise instructed, all notices, consents, and other communications required and/or permitted by the Contract shall be in writing. After the award of the Contract, all communications of a contractual or legal nature are to be made to the Agency Contact.

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**Personal Service Contract Standard Terms and Conditions
Revised January 2020**

Whereas, the first party, the state agency, has concluded that either state personnel are not available to perform said function, or it would not be feasible to utilize state personnel to perform said function; and
Whereas, the second party, the Contractor, is available and qualified to perform such function; and
Whereas, for the abovementioned reasons, the state agency desires to avail itself of the services of the second party;

NOW THEREFORE, the following terms and conditions are applicable to this contract:

1.00 Effective Date:

This contract is not effective until the Secretary of the Finance and Administration Cabinet or his authorized designee has approved the contract and until the contract has been submitted to the Legislative Research Commission, Government Contract Review Committee ("LRC"). However, in accordance with KRS 45A.700, contracts in aggregate amounts of \$10,000 or less are exempt from review by the committee and need only be filed with the committee within 30 days of their effective date for informational purposes.

KRS 45A.695(7) provides that payments on personal service contracts and memoranda of agreement shall not be authorized for services rendered after government contract review committee disapproval, unless the decision of the committee is overridden by the Secretary of the Finance and Administration Cabinet or agency head, if the agency has been granted delegation authority by the Secretary.

2.00 Renewals:

Upon expiration of the initial term, the contract may be renewed in accordance with the terms and conditions in the original solicitation. Renewal shall be subject to prior approval from the Secretary of the Finance and Administration Cabinet or his authorized designee and the LRC Government Contract Review Committee in accordance with KRS 45A.695 and KRS 45A.705, and contingent upon available funding.

3.00 LRC Policies:

Pursuant to KRS 45A.725, LRC has established policies which govern rates payable for certain professional services. These are located on the LRC webpage (<http://www.lrc.ky.gov/Statcomm/Contracts/homepage.htm>) and would impact any contract established under KRS 45A.690 et seq., where applicable.

4.00 Choice of Law and Forum:

This contract shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. Any action brought against the Commonwealth on the contract, including but not limited to actions either for breach of contract or for enforcement of the contract, shall be brought in Franklin Circuit Court, Franklin County, Kentucky in accordance with KRS 45A.245.

5.00 EEO Requirements:

The Equal Employment Opportunity Act of 1978 applies to All State government projects with an estimated value exceeding \$500,000. The contractor shall comply with all terms and conditions of the Act.

6.00 Cancellation:

The Commonwealth shall have the right to terminate and cancel this contract at any time not to exceed thirty (30) days' written notice served on the Contractor by registered or certified mail.

7.00 Funding Out Provision:

The state agency may terminate this contract if funds are not appropriated to the contracting agency or are not otherwise available for the purpose of making payments without incurring any obligation for payment after the date of termination, regardless of the terms of the contract. The state agency shall provide the Contractor thirty (30) calendar days' written notice of termination of the contract due to lack of available funding.

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8.00 Reduction in Contract Worker Hours:

The Kentucky General Assembly may allow for a reduction in contract worker hours in conjunction with a budget balancing measure for some professional and non-professional service contracts. If under such authority the agency is required by Executive Order or otherwise to reduce contract hours, the agreement will be reduced by the amount specified in that document. If the contract funding is reduced, then the scope of work related to the contract may also be reduced commensurate with the reduction in funding. This reduction of the scope shall be agreeable to both parties and shall not be considered a breach of contract.

9.00 Authorized to do Business in Kentucky:

The Contractor affirms that it is properly authorized under the laws of the Commonwealth of Kentucky to conduct business in this state and will remain in good standing to do business in the Commonwealth of Kentucky for the duration of any contract awarded.

The Contractor shall maintain certification of authority to conduct business in the Commonwealth of Kentucky during the term of this contract. Such registration is obtained from the Secretary of State, who will also provide the certification thereof.

Registration with the Secretary of State by a Foreign Entity:

Pursuant to KRS 45A.480(1)(b), an agency, department, office, or political subdivision of the Commonwealth of Kentucky shall not award a state contract to a person that is a foreign entity required by KRS 14A.9-010 to obtain a certificate of authority to transact business in the Commonwealth ("certificate") from the Secretary of State under KRS 14A.9-030 unless the person produces the certificate within fourteen (14) days of the bid or proposal opening. Therefore, foreign entities should submit a copy of their certificate with their solicitation response. If the foreign entity is not required to obtain a certificate as provided in KRS 14A.9-010, the foreign entity should identify the applicable exception in its solicitation response. Foreign entity is defined within KRS 14A.1-070.

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For all foreign entities required to obtain a certificate of authority to transact business in the Commonwealth, if a copy of the certificate is not received by the contracting agency within the time frame identified above, the foreign entity's solicitation response shall be deemed non-responsive or the awarded contract shall be cancelled.

Businesses can register with the Secretary of State at <https://onestop.ky.gov/Pages/default.aspx>

10.00 Invoices for fees:

The Contractor shall maintain supporting documents to substantiate invoices and shall furnish same if required by state government. The invoice must conform to the method described in Section V of this contract.

Pursuant to KRS 45A.695, no payment shall be made on any personal service contract unless the individual, firm, partnership, or corporation awarded the personal service contract submits its invoice for payment on a form established by the committee.

*Invoice form is available on the Legislative Research Commission, Government Contract Review Committee website: <http://www.lrc.ky.gov/Statcomm/Contracts/homepage.htm>

11.00 Travel expenses, if authorized:

The Contractor shall be paid for no travel expenses unless and except as specifically authorized by the specifications of this contract or authorized in advance and in writing by the Commonwealth. The Contractor shall maintain supporting documents that substantiate every claim for expenses and shall furnish same if requested by the Commonwealth.

12.00 Other expenses, if authorized herein:

The Contractor shall be reimbursed for no other expenses of any kind, unless and except as specifically authorized within the specifications of this contract or authorized in advance and in writing by the Commonwealth.

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If the reimbursement of such expenses is authorized, the reimbursement shall be only on an out-of-pocket basis. Request for payment of same shall be processed upon receipt from the Contractor of valid, itemized statements submitted periodically for payment at the time any fees are due. The Contractor shall maintain supporting documents that substantiate every claim for expenses and shall furnish same if requested by the Commonwealth.

13.00 Purchasing and specifications:

The Contractor certifies that he/she will not attempt in any manner to influence any specifications to be restrictive in any way or respect nor will he/she attempt in any way to influence any purchasing of services, commodities or equipment by the Commonwealth of Kentucky. For the purpose of this paragraph and the following paragraph that pertains to conflict-of interest laws and principles, "he/she" is construed to mean "they" if more than one person is involved and if a firm, partnership, corporation, or other organization is involved, then "he/she" is construed to mean any person with an interest therein.

14.00 Conflict-of-interest laws and principles:

The Contractor certifies that he/she is legally entitled to enter into this contract with the Commonwealth of Kentucky, and by holding and performing this contract, he/she will not be violating either any conflict of interest statute (KRS 45A.330-45A.340, 45A.990, 164.390), or KRS 11A.040 of the executive branch code of ethics, relating to the employment of former public servants.

15.00 Campaign finance:

The Contractor certifies that neither he/she nor any member of his/her immediate family having an interest of 10% or more in any business entity involved in the performance of this contract, has contributed more than the amount specified in KRS 121.056(2), to the campaign of the gubernatorial candidate elected at the election last preceding the date of this contract. The Contractor further swears under the penalty of perjury, as provided by KRS 523.020, that neither he/she nor the company which he/she represents, has knowingly violated any provisions of the campaign finance laws of the Commonwealth, and that the award of a contract to him/her or the company which he/she represents will not violate any provisions of the campaign finance laws of the Commonwealth.

16.00 Access to Records:

The state agency certifies that it is in compliance with the provisions of KRS 45A.695, "Access to contractor's books, documents, papers, records, or other evidence directly pertinent to the contract." The Contractor, as defined in KRS 45A.030, agrees that the contracting agency, the Finance and Administration Cabinet, the Auditor of Public Accounts, and the Legislative Research Commission, or their duly authorized representatives, shall have access to any books, documents, papers, records, or other evidence, which are directly pertinent to this agreement for the purpose of financial audit or program review. The Contractor also recognizes that any books, documents, papers, records, or other evidence, received during a financial audit or program review shall be subject to the Kentucky Open Records Act, KRS 61.870 to 61.884. Records and other prequalification information confidentially disclosed as part of the bid process shall not be deemed as directly pertinent to the agreement and shall be exempt from disclosure as provided in KRS 61.878(1)(c).

17.00 Protest:

Pursuant to KRS 45A.285, the Secretary of the Finance and Administration Cabinet, or his designee, shall have authority to determine protests and other controversies of actual or prospective vendors in connection with the solicitation or selection for award of a contract.

Any actual or prospective vendor, who is aggrieved in connection with the solicitation or selection for award of a contract, may file protest with the Secretary of the Finance and Administration Cabinet. A protest or notice of other controversy must be filed promptly and, in any event, within two (2) calendar weeks after such aggrieved person knows or should have known of the facts giving rise thereto. All protests or notices of other controversies must be in writing and shall be addressed to:

Holly M. Johnson, Secretary

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Commonwealth of Kentucky
Finance and Administration Cabinet
Room 383, New Capitol Annex
702 Capitol Avenue
Frankfort, KY 40601

The Secretary of Finance and Administration Cabinet shall promptly issue a decision in writing. A copy of that decision shall be mailed or otherwise furnished to the aggrieved party and shall state the reasons for the action taken.

The decision by the Secretary of the Finance and Administration Cabinet shall be final and conclusive.

18.00 Social security: (check one)

_____ The parties are cognizant that the state is not liable for social security contributions, pursuant to 42 U.S. Code, section 418, relative to the compensation of the second party for this contract.

_____ The parties are cognizant that the state is liable for social security contributions, pursuant to 42 U.S. Code, section 418, relative to the compensation of the second party for this contract.

19.00 Violation of tax and employment laws:

KRS 45A.485 requires the Contractor and all subcontractors performing work under the contract to reveal to the Commonwealth, prior to the award of a contract, any final determination of a violation by the Contractor within the previous five (5) year period of the provisions of KRS chapters 136, 139, 141, 337, 338, 341, and 342. These statutes relate to corporate and utility tax, sales and use tax, income tax, wages and hours laws, occupational safety and health laws, unemployment insurance laws, and workers compensation insurance laws, respectively

To comply with the provisions of KRS 45A.485, the Contractor and all subcontractors performing work under the contract shall report any such final determination(s) of violation(s) to the Commonwealth by providing the following information regarding the final determination(s): the KRS violated, the date of the final determination, and the state agency which issued the final determination.

KRS 45A.485 also provides that, for the duration of any contract, the Contractor and all subcontractors performing work under the contract shall be in continuous compliance with the provisions of those statutes, which apply to their operations, and that their failure to reveal a final determination, as described above, or failure to comply with the above statutes for the duration of the contract, shall be grounds for the Commonwealth's cancellation of the contract and their disqualification from eligibility for future state contracts for a period of two (2) years.

Contractor must check one:

_____ The Contractor has not violated any of the provisions of the above statutes within the previous five (5) year period.

_____ The Contractor has violated the provisions of one or more of the above statutes within the previous five (5) year period and has revealed such final determination(s) of violation(s). Attached is a list of such determination(s), which includes the KRS violated, the date of the final determination, and the state agency which issued the final determination.

20.00 Discrimination:

This section applies only to contracts disbursing federal funds, in whole or part, when the terms for receiving those funds mandate its inclusion. Discrimination (because of race, religion, color, national origin, sex, sexual orientation, gender identity, age, or disability) is prohibited. During the performance of this contract, the Contractor agrees as follows:

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The Contractor will not discriminate against any employee or applicant for employment because of race, religion, color, national origin, sex, sexual orientation, gender identity or age. The Contractor further agrees to comply with the provisions of the Americans with Disabilities Act (ADA), Public Law 101-336, and applicable federal regulations relating thereto prohibiting discrimination against otherwise qualified disabled individuals under any program or activity. The Contractor agrees to provide, upon request, needed reasonable accommodations. The Contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, religion, color, national origin, sex, sexual orientation, gender identity, age or disability. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensations; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.

In all solicitations or advertisements for employees placed by or on behalf of the Contractor, the Contractor will state that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, sex, sexual orientation, gender identity, age or disability.

The Contractor will send to each labor union or representative of workers with which he/she has a collective bargaining agreement or other contract or understanding a notice advising the said labor union or workers' representative of the Contractor's commitments under this section and shall post copies of the notice in conspicuous places available to employees and applicants for employment. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance.

The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations and relevant orders of the Secretary of Labor.

The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his/her books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

In the event of the Contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be cancelled, terminated or suspended in whole or in part, and the Contractor may be declared ineligible for further government contracts or federally-assisted construction contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions that may be imposed and remedies invoked as provided in or as otherwise provided by law.

The Contractor will include the provisions of paragraphs (1) through (7) of section 202 of Executive Order 11246 in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor, issued pursuant to section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event a Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

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COMMONWEALTH OF KENTUCKY
AUDITOR OF PUBLIC ACCOUNTS
RESPONSES TO WRITTEN QUESTIONS CONCERNING
COT SOC 2 AUDIT RFP

1. When was this specific audit last performed?

The most recent completed SOC 2 engagement of the Commonwealth Office of Technology was completed for Fiscal Year 2018.

2. Does the Commonwealth currently have any auditors under contract at this point? Are these contracts specifically for this audit? If so, could I ask the name of the firm, and contract number?

The APA has other contracts in place with audit firms for the performance of certain audits of counties officials and fiscal courts, as well as for an annual audit of the Kentucky Lottery Corporation.

There are no contracts in place for a SOC 2 engagement of the Commonwealth Office of Technology.

3. The RFP notes that this contract could be extended up to 4 additional years. Does the Commonwealth do these audits every year? Will this need to be rebid again at some point in the future following this upcoming contract?

This RFP provides for the option, at the discretion of the Commonwealth, to renew the resulting contract for up to four additional years to allow for the possibility of up to four additional annual audits. The option to renew lies solely in the discretion of the Commonwealth. A new RFP process would be required for any contract beyond the renewal periods provided for in this RFP.

4. How many times has this particular SOC 2 report been performed in the past?

FY 2013, FY 2016 and FY 2018 (issued in January 2019)

If it has been performed in the past:

- a) Would the prior report, including the documented system description, process narratives, or a prior year information request list be available to help with our understanding the scope of the audit, and the environment in question as well as reduce the time taken from your teams during the control walk-throughs?

After a firm has been awarded we facilitate access to the prior year work papers.

- b) What is the reason for moving to a new SOC 2 provider?

In accordance with Kentucky's procurement process, the Auditor of Public Accounts (APA) is following the Model Procurement Code and using the competitive bid process to award this audit.

- c) Do you have written policies and procedures? This may also be a part of your employee handbook.

The Commonwealth Office of Technology has policies and procedures available on their website.

- d) Has there been any major/material changes or updates made to the environment in order to understand if there are any new or updated controls?

None that the APA is aware of other than a new CIO.

5. It is our understanding that all five trust service principles (security, availability, processing integrity, confidentiality, & privacy) are included for the SOC 2 report.

- a) Can you provide the number of individual controls that are to be tested under each trust principle?

4 of the 5 trust principles are included as noted in the amended RFP. All controls are to be tested under each trust principle.

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b) How many different control owners are there?

Per inquiry with COT: It's hard to say. Some controls have multiple owners.

6. Many of our clients like us to perform both interim & period-end testing. Interim testing is not required but would help identify potential issues earlier in the period which could then be potentially remediated prior to the period-end. There is an additional time required to testing twice so wanted to ask if you wanted only period-end testing or both interim/ period-end testing?

The APA is not requiring interim testing.

7. A key aspect of a SOC 2 report are sub-service providers. With the assumption that the report was performed in the past, were they all carved out of the opinion or were they inclusive? Inclusive would mean that we would have to test controls at a sub-service provider; therefore, increasing scope.

COT does use sub-service providers. However, this RFP does not include the services provided by the subservice organization, and is not requiring evaluation of the design or operating effectiveness of such complementary subservice organization controls.

8. Does the Commonwealth have an Internal Audit organization and, if so, was there any reliance placed on their testing in the past?

COT does not have an internal audit group. They do have a Compliance Branch and they coordinate all audits and act as the liaison with the auditors.

9. **When was the last SOC 2 Type2 issued for COT and what reporting period was covered in this report?**

The report is dated January 11, 2019 and the period covered is July 1, 2017 thru June 30, 2018.

10. Was the opinion included in the last report anything other than 'unmodified'?

The opinion included in the last report was 'qualified'.

11. Will this report available for review prior to proposal due date?

Yes, subject to a nondisclosure agreement. Please contact Tim Gutman (Tim.Gutman@ky.gov) to request the confidential report.

12. Will system description provided by COT as referenced on page 6 (G. 1.) of the solicitation be available for our review prior to proposal due date?

No, system description will be available for review to the firm awarded the contract.

13. How many departments within COT are relevant to this SOC 2 report and approximately how many personnel are involved in processes key to COT providing security, availability, processing integrity and confidentiality to its user entities?

COT is a single department. There are 601 employees working for COT.

14. Are all services provided by COT and listed on the COT Website to be included in the scope of the SOC 2?

The scope of services is determined by the RFP and auditing standards. The relevant common criteria should be tested associated with the trust principles listed in the RFP

15. Does COT use any subservice organizations and if so, does COT intend to present them using the carve-out or inclusive method?

Yes, the carve out method.

16. Have there been any significant or major changes to personnel or controls since the last report?

None that the APA is aware of other than a new CIO.

17. Are there any intended users of the report beyond: Management of the service organization and specified parties who have sufficient knowledge and understanding of the service organization and its system?

No

18. Please briefly identify any significant changes to the system since the most recently issued SOC 2 Type II report. Specifically, have there been any significant, relevant changes to

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the platforms hosting the system, the data centers used, physical equipment, and/or IT personnel/management? If applicable, please indicate the effective date of any changes.

None that the APA is aware of other than a new CIO.

19. Please briefly identify any planned changes to the system between now and June 30, 2020, that could significantly impact the scope of the engagement.

Per inquiry with COT, the implementation of Service Now is expected prior to June 30. APA is not aware of other planned changes.

20. If the most recent SOC 2 report identified any controls that were not operating effectively during the period please provide a brief description of the extent to which COT management has been able to address and remediate those controls.

APA has not evaluated corrective actions since the last report. This is part of the scope of the current RFP.

21. Section 10.30 indicates the initial term of the contract is anticipated to become effective on May 1, 2020—please indicate if there are any days between that date and June 30, 2020, on which COT staff will not be available.

Per inquiry with COT: It depends on the state of affairs with the COVID-19 response, changes and travel has been suspended and we have regulatory requirements to inspect IBM sites as well as DR sites that have not yet been rescheduled.

22. Please indicate if there [are] any dates between July 1, 2020, and September 30, 2020, on which COT staff will not be available.

Per inquiry with COT: It depends on the state of affairs with the COVID-19 response. Some changes have been postponed and not provided the later date.

23. The AICPA auditing standards require us to test the controls throughout the period under examination and COT is 9 months into the examination period. Does COT have processes and data retention policies in place that would allow us to test the controls over the period of time under examination?

Yes

24. Please indicate the number of hours incurred by staff level for the most recently completed SOC 2 engagement.

The firm and APA used additional hours for work and review, but the APA authorized 505 hours at an hourly rate of \$158 in the contract with the previous firm

25. Please indicate the number of hours billed and the hourly rate used by staff level for the most recently completed engagement.

The firm and APA used additional hours for work and review, but the APA authorized 505 hours at an hourly rate of \$158 in the contract with the previous firm

26. Please indicate the out-of-pocket expenses and total fee billed for the most recently completed engagement.

The APA does not know the firm's out-of-pocket expenses, but the APA billed COT \$70,237.20 for the completed engagement

27. The maximum rates listed on Page 14 of the RFP are lower than standard market rates due to the technical nature of performing a SOC 2 with all five Trust Service Criteria. Are we held to those rates, or will listing higher rates be acceptable?

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An RFP response will be evaluated in light of the provisions of policy 99-5 of the Legislative Research Commission's Government Contract Review Committee, which sets maximum rates as well as conditions under which those rates may be exceeded. In light of that policy, for an RFP proposing rates in excess of those rates to be selected, the RFP must contain sufficient information to allow the APA and the bidder, should a subsequent contract be successfully negotiated and awarded, to meet the criteria established by the committee to exceed the committee's maximum rate schedule, and to provide such justification to the committee prior to the committee's review of the contract. That policy states as follows:

It shall be the policy of the Government Contract Review Committee of the Legislative Research Commission to consider for approval, only those personal service contracts for auditing services that conform to the following description and maximum rate schedule:

Private Auditors and Auditing Firms

Duties:

Under general supervision, provides independent professional auditing of accounts, financial transactions, and spending of a state agency in accordance with generally accepted auditing principals and standards as a private auditor or as a principle, partner, manager, or staff within an auditing firm.

***Maximum Rate Schedule:**

Principle or Partner Not to exceed \$125/hour

Senior Auditor or Manager Not to exceed \$100/hour

Junior Auditor or Staff Auditor Not to exceed \$75/hour

*Fees paid by an agency shall not exceed the committee's maximum rate schedule, unless required by the complexity or uniqueness of the audit, in which case, prior justification must be presented to the committee.